

## **Justification for other than Full and Open Competition**

IT Steady State and Development, Maintenance and Enhancement Technical Support Services for the Computerized Homes Underwriting Management System (CHUMS), FHA Connection (FHAC) and the Housing Counseling System (HCS)

**(1) Identification of the agency and the contracting activity, and specific identification of the document as a “Justification for other than full and open competition.”**

Department of Housing and Urban Development (HUD)  
Office of the Chief Procurement Officer  
Washington, DC 20410

**(2) Nature and/or description of the action being approved.**

Approval is being sought to extend contract services for a period of six (6) months on contract# DU100I-16-C-14, in accordance with 52.217-8, Option to Extend Services (Nov 1999) with Salient Federal Systems, Inc. to provide uninterrupted and continuing support for CHUMS, FHAC and HCS.

**(3) A description of the supplies or services required to meet the agency’s needs (including the estimated value).**

The contractor shall provide critical services for software maintenance and enhancements to the CHUMS, FHAC and HCS systems.

The contractor shall ensure the CHUMS, FHAC and HCS software is in compliance with new Government laws, regulations and mandates; maintains the current functional capabilities; and, provides necessary support that extends the current capabilities and support for upgrades that are required by regulation, statute, technology, or product support and systems compliance.

Period of Performance: 03/29/2017 – 09/28/2017

Estimated Cost: \$4,743,233.06 for 6 months

Contract Type: (Hybrid) Firm Fixed Price (O&M) and Time and Material (DME)

**(4) An identification of the statutory authority permitting other than full and open competition.**

Authority: 6.302-1 (b)(1)(i) “Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements” Citations: 41 U.S.C. 3304(a)(1) as implemented by FAR 6.302-1.

**(5) A demonstration that the proposed contractor's unique qualifications or the nature of the acquisition requires use of the authority cited.**

Salient Federal Systems has extensive technical resources to provide computer programming and design services and systems, operational, and infrastructure support to very large Unisys based mainframe legacy application systems written in COBOL, ECL, RDMS 2200, DMS 2200, DPS 2200, TIP 2200, UniAccess, and NETEX, that interface with multiple components executing on different hardware platforms and utilizing additional software technologies including IBM mainframe, Internet, and client server technology. The skill set for the Unisys mainframe computer is extremely scarce in today's marketplace due to the fact that the legacy technologies are obsolete, and the languages are no longer taught.

Salient possesses an in-depth knowledge of HUD's IT infrastructure, a clear understanding of HUD's modernization standards, as well as an in-depth understanding of Single Family Housing programs policies, and most importantly, the steady state requirements for supporting the CHUMS, FHAC, and HCS systems. They are currently implementing the specific requirements of the Presidential and Congressional initiatives to expand credit opportunities under the Access to Credit and Clean Energy initiatives. The first two phases have been implemented, and a third phase is in process.

CHUMS and FHAC are the key mission critical systems that support the processing and servicing of the FHA home mortgage loan insurance portfolio which exceeds 6 million insured loans valued at approximately \$850 billion. Sufficient resources representing the technical skill sets with the requisite level of expertise and necessary security clearances are in place and immediately available to support this effort.

**(6) A description of efforts made to ensure that offers are solicited from as many potential sources as is practicable, including whether a notice was or will be publicized as required by Subpart 5.2 and, if not, which exception under 5.202 applies.**

HUD will notify the public of its intention to extend the sole-source contract for a six month period to Salient Federal Systems in accordance with FAR Part 5.406 "Public Disclosure of Justification Documents for Certain Contract Actions" and FAR 6.305 "Availability of the Justification"

**(7) A determination by the contracting officer that the anticipated cost to the Government will be fair and reasonable.**

Option to extend services shall be extended in accordance with FAR 37.111 which enables the Government to require continued performance of any services within the limits and at the rates specified in the contract.

**(8) A description of the market research conducted (see Part 10) and the results or a statement of the reason market research was not conducted.**

Market Research was performed for the procurement effort currently underway and was submitted under RCS-Q-2017-00001. Research was conducted by querying Government data bases (SAM, VetBiz, VIP, GSA and SBA), which provided information relevant to this acquisition to determine the vendor pool for competition.

The market research determined that Salient Federal Systems has the requisite technological legacy technologies including COBOL, ECL, RDMS 2200, DMS 2200, DPS 2200, TIP 2200, UniAccess, and NETEX and in-depth knowledge of HUD's Office of Single Family Insurance programs on-going initiatives that can provide continuous services in order to meet published schedules for implementing the access to credit and clean energy legislative mandates.

**(9) Any other facts supporting the use of other than full and open competition**

Changing firms to provide the current services must factor in transition activities, credentialing of personnel, and provision of system access for the new vendor's personnel. A minimum transition period of sixty days between vendors must be provided to avoid a break in service.

**System Disruption:** Development efforts currently underway for the LRS initiative and the Housing Counseling Roster expansion. Both of these are Access to Credit initiatives mandated by Congress and the President, and must stay on schedule. Realistically speaking, it will take a new contractor six months to get up to speed in supporting the plethora of software products and processes performed by the CHUMS, FHA Connection, and Housing Counseling Systems, which are extremely complex.

**Estimated Startup Cost:** The startup cost for a new contractor is \$8,733,624.00.

OCIO believes that the system disruption potential and additional startup cost reasons go hand-in-hand with the specialization of services required.

CHUMS and its associated programs (TOTAL, FHAC and HCS) are dynamic systems that require regular maintenance and software and security scans, which are performed by staff under the terms of the CHUMS contract. A break in service would leave FHA's 3,000+ lenders, 74,000 active origination users, and thousands of appraisers, housing counselors, contractors, and personnel without dedicated CHUMS helpdesk or technical support, and also would leave the systems unsupported.

In the event of a total system outage, FHA insurance application processing and endorsement activity would cease, affecting millions of borrowers – many of whom earn low to moderate incomes and are minorities. The inability to easily process and underwrite FHA mortgages would immediately reduce FHA's market share, and

leave borrowers and lenders scrambling to obtain financing to meet closing deadlines. Displaced businesses would not be able to quickly find replacement financing, adversely impacting the still-fragile housing market and US economy, which could parallel the experiences of the recent recession. FHAC also provides the portal by which lenders submit their mortgage insurance premium payments. Over 1.1 million loans in excess of \$3.3 billion in upfront premium payments are processed by the system annually, and FHAC also provides the portal for the billing and collection of monthly mortgage insurance premium for over 6 million home mortgage loans and approximately \$700 million in premiums per month totaling more than \$8.4 billion annually. These monies constitute the source of funding for the mutual fund, which is unique in that it is funded through operations and the collection of premiums, not appropriations.

FHA's mortgage insurance programs are entirely dependent upon approximately seventeen software applications (systems) for their operation. In order to update FHA's mortgage insurance programs to meet Federal mandates, the software systems must also be revised to meet departmental objectives. In order to accomplish the modifications in the timeframe required by the Act, OCIO must rely upon current Contractor personnel who are already familiar with the applications through existing operation and maintenance support. The systems that must be updated are complex in their own right and depend upon many interfaces and integration points throughout the department which must be properly coordinated. The short implementation schedule of the President's Clean Energy Initiative and the Access to Credit legislative mandate does not provide time for new Contractor personnel to learn the design of individual systems, nor their interdependencies with other systems. There are seventeen systems in all, and the number of interfaces for each system ranges up to 36. Under normal circumstances, such increases would require new contract actions subject to the normal competitive rules. However, in passing the Access to Credit legislation, Congress and the President were responding to an urgent need to act quickly.

**(10) A listing of the sources, if any, that expressed, in writing, an interest in the acquisition.**

None

**(11) A statement of the actions, if any, the agency may take to remove or overcome any barriers to competition before any subsequent acquisition for the supplies or services required.**

The Department is conducting a full and open competition for the technical support services contract under solicitation DU100I-16-R-0013, which is currently under review by the Agency.

**(12) Contracting officer certification that the justification is accurate and complete to the best of the contracting officer's knowledge and belief.**